

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION COMMISSION**

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**APPLICATION OF ENCANA OIL & GAS (USA)
INC. FOR APPROVAL OF A UNIT AGREEMENT
AND AN EXCEPTION TO THE WELL LOCATION
REQUIREMENTS SET FORTH IN THE SPECIAL
RULES FOR THE COUNSELORS GALLUP-DAKOTA
AND BASIN MANCOS GAS POOLS,
SANDOVAL COUNTY, NEW MEXICO.**

CASE NO. 14987

APPLICANT'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Encana Oil & Gas (USA) Inc. ("Encana"), as required by NMAC 19.15.4.13.B.

APPEARANCES

APPLICANT

Encana Oil & Gas (USA) Inc.

ATTORNEY

Michael H. Feldewert
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STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") seeks an order from the Division approving its Gallo Canyon Federal Exploratory Unit and providing exceptions to the well location requirements in the Special Rules for the Counselors Gallup-Dakota Pool and the Basin Mancos Gas Pool.

The proposed Unit Area for the Gallo Canyon Federal Exploratory Unit consists of 5,760 acres, more or less, of federal and state lands situated in all of Sections 22-27 and 34-36 of Township 23, North, Range 6 West, N.M.P.M., Sandoval County, New Mexico. Both the New Mexico State Land Office and the Bureau of Land Management have provided preliminary approval of the Unit Agreement.

Most of the Unit Area is currently subject to the Special Rules and Regulations for the Counselors Gallup-Dakota Oil Pool, adopted in 1982 under Division Order R-7034 and made permanent in 1986 under Division Order R-4034-B. A portion of the Unit Area also appears currently subject to the Special Rules for the Basin-Mancos Gas Pool adopted in 2008 under Division Order R-12984. Both Rule 4 of the Special Rules for the Counselors Gallup-Dakota Oil Pool and Rule C of the Special Rules for the Basin-Mancos Gas Pool require wells to be located no closer than 660 feet to the outer boundary of a spacing unit, or in this case, the outer boundary of the Unit Area. In addition, Rule 4 of the Special Rules for the Counselors Gallup-Dakota Oil Pool requires a well producing from the pool to be located no closer than 1320 feet to another well capable of producing from the same pool.

Encana requires an exception to the applicable setback requirements to allow for wells to be located anywhere within the Unit Area, so long as the completed interval remains at least 330 feet from the outer boundary of the Unit Area. An exception will allow for the most efficient horizontal and vertical well development pattern, and to effectively drain the reserves in the unitized formation underlying the Unit Area.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Billy Wade McCool, Petroleum Land Negotiator, Encana	Approx. 15 minutes	Approx. 4 Exhibits
Nicholas Kurt Sommer, Petroleum Geologist, Encana	Approx. 25 minutes	Approx. 4 Exhibits

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP



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